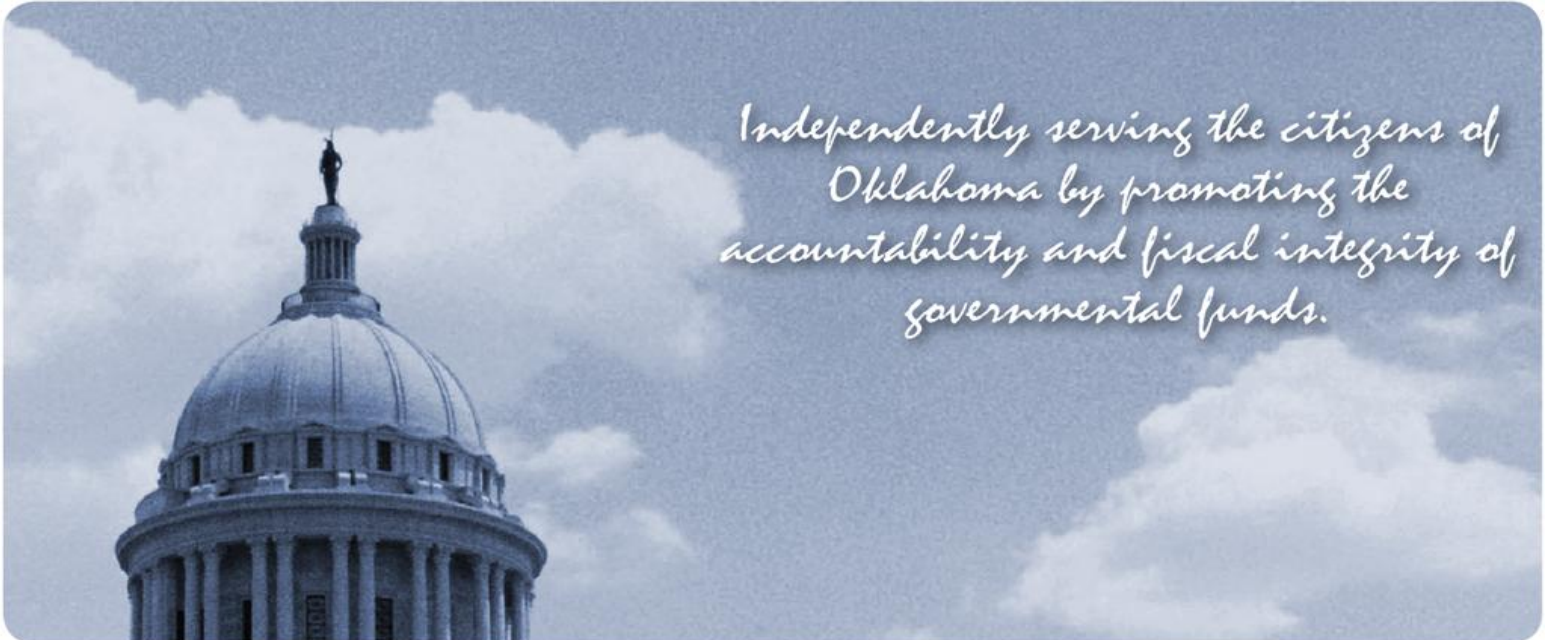


STATUTORY AUDIT

# COMMUNITY AMBULANCE SERVICE DISTRICT

For the year ended June 30, 2014



*Independently serving the citizens of  
Oklahoma by promoting the  
accountability and fiscal integrity of  
governmental funds.*



Oklahoma State  
Auditor & Inspector  
Gary A. Jones, CPA, CFE

**COMMUNITY AMBULANCE SERVICE DISTRICT  
STATUTORY REPORT  
FOR THE YEAR ENDED JUNE 30, 2014**

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# Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

July 23, 2015

**TO THE BOARD OF DIRECTORS OF THE  
COMMUNITY AMBULANCE SERVICE DISTRICT**

Transmitted herewith is the audit report of Community Ambulance Service District for the year ended June 30, 2014.

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during our engagement.

Sincerely,

A handwritten signature in blue ink, appearing to read "Gary A. Jones", written in a cursive style.

GARY A. JONES, CPA, CFE  
OKLAHOMA STATE AUDITOR & INSPECTOR

**COMMUNITY AMBULANCE SERVICE DISTRICT  
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**Presentation of Collections, Disbursements, and Cash Balances of District Funds for FY 2014**

	<u>FY 2014</u>
Beginning Cash Balance, July 1	\$ 285,897
Collections	
Ad Valorem Tax	143,844
Charges for Services	64,259
Interest	895
Donations	<u>1,875</u>
Total Collections	<u>210,873</u>
Disbursements	
Personal Services	91,227
Maintenance and Operations	37,292
Audit Expense	7,450
Bond Expense & Fees	<u>24,058</u>
Total Disbursements	<u>160,027</u>
Ending Cash Balance, June 30	<u>\$ 336,743</u>

*Source: District Estimate of Needs (presented for informational purposes)*



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Community Ambulance Service District  
P.O. Box 811  
Seiling, Oklahoma 73663

## **TO THE BOARD OF DIRECTORS OF THE COMMUNITYAMBULANCE SERVICE DISTRICT**

For the purpose of complying with 19 O.S. § 1706.1, we have performed the following procedures:

- Determined that receipts were properly deposited and accurately reported in the accounting records.
- Determined cash balances were accurately reported in the accounting records.
- Determined whether deposits and invested funds were secured by pledged collateral.
- Determined that disbursements were properly supported, were made for purposes outlined in 19 O.S. § 1710.1, and were accurately reported in the accounting records.
- Determined that all purchases requiring bids complied with 19 O.S. § 1723.
- Determined that payroll expenditures were accurately reported in the accounting records and supporting documentation of leave records was maintained.
- Determined that fixed assets records were properly maintained.
- Determined whether the District's collections, disbursements, and cash balances for FY 2014 were accurately presented on the estimate of needs.

All information included in the records of the District is the representation of the Community Ambulance Service District.

Our emergency medical service district statutory engagement was limited to the procedures performed above and was less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, we do not express an opinion on any basic financial statement of the Community Ambulance Service District.

Based on our procedures performed, we have presented our findings in the accompanying schedule.

This report is intended for the information and use of the management of the Community Ambulance Service District. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

A handwritten signature in blue ink, appearing to read "Gary A. Jones". The signature is fluid and cursive, with a long horizontal stroke at the end.

GARY A. JONES, CPA, CFE  
OKLAHOMA STATE AUDITOR & INSPECTOR

June 15, 2015

**COMMUNITY AMBULANCE SERVICE DISTRICT  
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**SCHEDULE OF FINDINGS AND RESPONSES**

**Finding 2014-1 – Inadequate Internal Controls Over the Revenue Process (Repeat Finding)**

**Condition:** Based on observation of billing records and discussion with District staff, we determined:

- The bookkeeper issues receipts, prepares the deposit, and takes the deposit to the bank.
- There is no evidence that the District verifies the amounts charged by the third party billing service to ensure the amounts billed are accurate and verified to their records. There is no verification of second billings on delinquent accounts.
- There is no evidence that the District verified that payments have been applied correctly to patient accounts by the third party billing service.

Additionally, we reviewed and recalculated 25 run sheets, related receipts and deposits, and noted the following deficiencies:

- 5 instances in which the amount recalculated did not agree to the amount billed for charges for services.

Log Run Number	Billed	Calculated	Variance
130807-0807-CAS	1,213.24	1,313.24	(100.00)
131125-1047-CAS	1,502.05	1,657.24	(155.19)
131215-1112-CAS	108.00	529.24	(421.24)
131221-1835-CAS	1,233.70	1,366.72	(133.02)
140123-1747-CAS	378.05	333.70	44.35

**Cause of Condition:** Policies and procedures have not been designed to adequately segregate the duties of receiving and depositing of funds collected. Additionally, there was no evidence that an internal control over monitoring the process of receipting and depositing funds has been implemented to mitigate the risk involved with inadequate segregation of duties. Policies and procedures have not been designed to adequately segregate the duties of receiving and depositing monies, and mitigating controls over monitoring the process have not been implemented. Furthermore, policies and procedures have not been designed and implemented to adequately ensure the amounts billed for services are accurate, payments are applied correctly to patient accounts, and electronic payments are applied to accounts by the third party billing service.

**Effect of Condition:** These conditions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner, and the District under or over billing for ambulance services.

**Recommendation:** The Oklahoma State Auditor & Inspector's Office (OSAI) recommends that

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management be aware of these conditions and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the office, and having management review and approval of accounting functions. We recommend the Board of Trustees (the Board) actively review the billing statements to ensure that correct amounts are billed and provide evidence of this review so as to mitigate some of the risk associated with having one staff member to perform all duties of billing accounts.

**Management Response:**

**Board:**

- The Board will implement a procedure of reconciliation between receipts and deposits, and verify that each payment is accurately deposited.
- We now have privileges in the automated system to review billing by the billing service to enable us to quickly determine if the correct amounts are being computed by the billing agency. This should alleviate any incorrect billing problems.
- The Board will review and take appropriated action to ensure that second and subsequent billing is being performed.
- The Board accepts all findings and will ensure that patient payments are being accurately applied by the billing service.

**Criteria:** To help ensure a proper accounting of funds, key duties and responsibilities should be segregated among different individuals to reduce the risk of error or fraud. No one individual should have the ability to authorize transactions, have physical custody of assets, and record transactions. Effective internal controls require oversight by management to provide assurance that amounts billed are based upon the billing policies adopted by the Board, and the billing process is monitored for correctness and completeness.

**Finding 2014-2 – Inadequate Internal Controls Over Disbursements (Repeat Finding)**

**Condition:** Based on discussion with District staff and observation of 25 randomly selected disbursements, we noted the following weaknesses with regard to the disbursement process:

- The bookkeeper is responsible for inputting data, printing checks, and reconciling the bank statement.
- The bookkeeper is responsible for ordering office supplies and receiving them.
- In 4 instances the invoice was not located to support the disbursement.
- In 23 instances the invoice lacked independent verification of the receipt of goods or services.

**Cause of Condition:** Policies and procedures have not been designed to adequately segregate the duties over the disbursement process. Also, the internal controls are inadequate to provide documentation to support disbursements and independent verification of goods or services received.



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**Effect of Condition:** A single individual having responsibility for more than one area of recording, authorization, custody of assets, and execution of transactions could result in unrecorded transactions, misstated financial reports, clerical errors, or misappropriation of funds not being detected in a timely manner.

**Recommendation:** OSAI recommends that management be aware of these conditions and determine if duties can be properly segregated. In the event that segregation of duties is not possible due to limited personnel, OSAI recommends implementing compensating controls to mitigate the risks involved with a concentration of duties. Compensating controls would include separating key processes and/or critical functions of the District and having management review and approval of accounting functions. Additionally, adequate documentation and evidence of receiving goods and service should be included on each purchase order prior to the Board authorizing payment.

**Management Response:**

**Board:** The Board accepts both of these findings. The Board will implement a procedure whereas when the bookkeeper needs goods and services, they are ordered by the administrator and documentation is completed by a third person upon receipt.

**Criteria:** Internal controls should be designed to analyze and check accuracy, completeness, and authorization of disbursements and/or transactions. To help ensure a proper accounting of funds, the duties of processing, authorizing, and distribution should be segregated.

An important aspect of internal control is the safeguarding of assets. Internal controls over safeguarding of assets constitute a process, affected by the entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or untimely detection of unauthorized acquisition, use, or disposition of the entity's assets and safeguarding assets from loss, damage, or misappropriation.

**Finding 2014-3 – Inadequate Internal Controls Over Fixed Assets Inventory**

**Condition:** Based on the observation of 10 items and ambulances from the fixed assets inventory listing, we noted two discrepancies:

- The Heartstart MRX ALS Monitor was listed with the incorrect serial number.
- A 1988 Ford Type III ambulance was listed as sold; however, the incorrect description was associated with the fixed asset.

**Cause of Condition:** Policies and procedures have not been designed and implemented for the accurate accounting of fixed assets.

**Effect of Condition:** This condition could result in inaccurate records, unauthorized use of fixed assets, and/or loss of fixed assets.

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**Recommendation:** OSAI recommends that the District implement policies and procedures to accurately maintain fixed asset inventory records and segregate duties over inventory recordkeeping. Records should be maintained in such a manner that assets can be identified by a serial number, date of acquisition, and purchase price. Further, an annual physical verification of assets should be performed and documented.

**Management Response:**

**Board:** The Board accepts these findings. The Administrator is responsible for entering the correct information in the fixed asset spreadsheet. These errors have been addressed and corrected. The Board has stressed the importance of completing documents correctly and without error and the Administrator will be diligent to ensure recordkeeping is a top priority.

**Criteria:** An important aspect of internal controls is the safeguarding of assets, which includes adequate segregation of duties. Internal controls over safeguarding of assets constitute a process, affected by an entity's governing body, management, and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entity's assets and safeguarding inventory from loss, damage, or misappropriation.

**Finding 2014-4 – Inadequate Internal Controls and Incurrence of Debt Using Credit Cards**

**Condition:** Based on observation of records and discussion with District staff, we noted the District utilized a credit card account. The District was issued 2 credit cards that are maintained in each ambulance. The District used the credit card for fuel and to purchase accounting software. There were 3 credit card statements in the audit period, of which we reviewed all activity. We noted the following weaknesses in the use of the credit cards:

- The District is not authorized by law to acquire credit cards.
- There was no evidence that the credit card statements were approved by the Director or the Board.
- The individual credit card receipts were neither verified nor retained by the Director, Bookkeeper or Board.

**Cause of Condition:** In order to purchase items and to reduce the need to reimburse employees, the District has acquired a credit card account.

**Effect of Condition:** These conditions could result in unauthorized or improper purchases. The use of credit cards also increases the risk of improper purchases going undetected.

**Recommendation:** OSAI recommends that the District refrain from using credit cards that are not authorized. We further recommend the District utilize cards for fuel as statutorily approved through the issuance of the annual state-wide contract.

**Management Response:**

**Board:** The Board accepts this finding. However, local fuel stations do not accept charge accounts after 6:00 p.m. It is unacceptable to leave ambulances without fuel overnight.

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The credit card was obtained through the local bank, with a \$1,000 credit limit, to purchase fuel and other purchases such as Medicare license fees and payroll software that are only available through internet purchase.

The Board will ensure that each transaction is documented by the receipt of the fuel or goods going forward and each monthly bill is examined for errors.

**Auditor Response:** In lieu of using the unauthorized credit card, we suggest that the District obtain a fuel card that is authorized by the state of Oklahoma on the annual state-wide contract.

**Criteria:** Effective internal controls require that management establish policies and procedures that detect and prevent abuse and unauthorized transactions. Furthermore, the EMS District is not authorized to utilize credit cards.



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